

FLORENCE CONVALESCENT CENTER, INC.

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-FLR-J7**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 22, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Florence Convalescent Center, Inc., for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Florence Convalescent Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Florence Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
April 22, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

FLORENCE CONVALESCENT CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-FLR-J7

	<u>10/01/98- 11/30/98</u>	<u>Beginning 12/01/98</u>
Interim reimbursement rate (1)	\$66.81	\$67.56
Adjusted reimbursement rate	<u>66.79</u>	<u>67.54</u>
Decrease in reimbursement rate	\$ <u>.02</u>	\$ <u>.02</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

FLORENCE CONVALESCENT CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-FLR-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$27.58	\$46.64	
Dietary		10.10	9.93	
Laundry/Housekeeping/Maint.		<u>8.52</u>	<u>8.11</u>	
Subtotal	<u>\$4.53</u>	46.20	64.68	\$46.20
Administration & Med. Rec.	<u>\$5.20</u>	<u>5.70</u>	<u>10.90</u>	<u>5.70</u>
Subtotal		51.90	<u>\$75.58</u>	51.90
<u>Costs Not Subject to Standards:</u>				
Utilities		2.29		2.29
Special Services		-		-
Medical Supplies & Oxy.		2.10		2.10
Taxes and Insurance		.52		.52
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$56.81</u>		56.81
Inflation Factor (3.60%)				2.05
Cost of Capital				5.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.99
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.77)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$66.79</u>

FLORENCE CONVALESCENT CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning December 1, 1998
AC# 3-FLR-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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TOTAL		<u>\$56.81</u>		56.81
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Cost of Capital				5.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.99
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.77)
CNA Add-On				.75
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$67.54</u>

FLORENCE CONVALESCENT CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-FLR-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 880,822	\$ -	\$ -	\$ 880,822
Dietary	322,593	-	-	322,593
Laundry	86,152	-	-	86,152
Housekeeping	81,453	-	-	81,453
Maintenance	104,581	-	-	104,581
Administration & Medical Records	188,522	-	6,644 (1)	181,878
Utilities	73,105	-	-	73,105
Special Services	-	-	-	-
Medical Supplies & Oxygen	67,163	-	-	67,163
Taxes & Insurance	16,684	-	-	16,684
Legal Fees	-	-	-	-
Cost of Capital	<u>183,480</u>	<u>6,548</u> (3)	<u>769</u> (2)	<u>189,259</u>
Subtotal	2,004,555	6,548	7,413	2,003,690

FLORENCE CONVALESCENT CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-FLR-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	11,479	-	-	11,479
Non-Allowable	<u>64,024</u>	<u>6,644</u> (1)	<u>6,548</u> (3)	<u>64,120</u>
Total Operating Expenses	<u>\$2,080,058</u>	<u>\$13,192</u>	<u>\$13,961</u>	<u>\$2,079,289</u>
Total Beds	<u>88</u>	Total Patient Days		<u>31,935</u>

FLORENCE CONVALESCENT CENTER, INC.
Adjustment Report
For the Cost Report Period Ended September 30, 1997
AC# 3-FLR-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$ 6,644	\$ 6,644
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
2	Accumulated Depreciation	858	
	Other Equity	1,366	
	Fixed Assets		1,455
	Cost of Capital		769
	To adjust fixed assets and related depreciation to allowable State Plan, Attachment 4.19D		
3	Cost of Capital	6,548	
	Nonallowable		6,548
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$15,416</u>	<u>\$15,416</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

FLORENCE CONVALESCENT CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-FLR-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	271,719
Accumulated Depreciation at 9/30/97	<u>(691,965)</u>
Deemed Depreciated Value	2,577,826
Market Rate of Return	<u>0.067</u>
Total Annual Return	172,714
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	172,714
Depreciation Expense	16,545
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	189,259
Total Patient Days	<u>31,935</u>
Cost of Capital Per Diem	<u>\$ 5.93</u>

FLORENCE CONVALESCENT CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-FLR-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.66
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.65</u>
Reimbursable Cost of Capital Per Diem	\$5.93
Cost of Capital Per Diem	<u>5.93</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>